

Message Text

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ACTION EUR-12

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SUBJ: OCCIDENTAL PETROLEUM NEGOTIATIONS IN POLAND

1. SUMMARY: DR. ARMAND HAMMER, CHAIRMAN OF THE BOARD OF OCCIDENTAL PETROLEUM, VISITED WARSAW MAY 22-24 FOR A SERIES OF HIGH-LEVEL TALKS ON EXCHANGE OF FLORIDA PHOSPHATE FOR POLISH SULPHUR. IF SUCCESSFUL, THE OCCIDENTAL PROPOSALS COULD YIELD POLAND A SUBSTANTIAL SAVING ON FOREIGN EXCHANGE COSTS FOR PHOSPHATE IMPORTS AND INCREASE THE COUNTRY'S CHEMICAL FERTILIZER PRODUCTION. END SUMMARY.

2. HAMMER WAS ACCOMPANIED BY A DELEGATION OF ABOUT 12 OCCIDENTAL OFFICIALS WHO WILL BE IN POLAND UNTIL ABOUT MAY 31. DURING THIS TIME THEY WILL MEET WITH THE GOP MINISTRIES OF CHEMICAL INDUSTRY, MINING, FOREIGN TRADE, HEAVY AND AGRICULTURAL MACHINERY AND WITH THE MINISTRY OF ENVIRONMENTAL PROTECTION. THE GROUP WILL ALSO VISIT LUBLIN (CHEMICAL INDUSTRIES AND COAL DEPOSITES), TARNOBRZEG (SULPHUR MINES) AND KATOWICE (CENTRAL INSTITUTE OF MINING). ON MAY 23 AND 24, DR. HAMMER AND OTHER OCCIDENTAL OFFICIALS MET WITH
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PLANNING COMMISSION CHAIRMAN AND VICE PREMIER TADEUSZ WRZASZCZYK, WHO IS HOST FOR THE VISIT, AND WITH PRIME MINISTER JAROSZEWICZ. ON MAY 29 HE IS EXPECTED TO RETURN TO WARSAW FROM MOSCOW FOR FURTHER MEETINGS WITH THE PLANNING COMMISSION AND ALSO, REPORTEDLY, WITH PARTY SECRETARY GIEREK.

3. IN A MEETING WITH THE AMBASSADOR ON THE AFTERNOON OF MAY 23, DR. HAMMER EXPLAINED HIS PLANS FOR OCCIDENTAL'S FIRST MAJOR DEAL WITH POLAND. OCCIDENTAL, HE SAID, NEEDS LARGE QUANTITIES OF SULPHUR FOR THE MANUFACTURE OF SUPER-PHOSPHORIC ACID WHICH IT WILL SOON BE SHIPPING TO THE USSR FROM FLORIDA IN ACCORDANCE WITH THE TWENTY YEAR, TWENTY-BILLION- DOLLAR BARTER AGREEMENT -- FLORIDA PHOSPHATES FOR SOVIET AMMONIA AND OTHER PRODUCTS -- WHICH WAS CONCLUDED SEVERAL YEARS AGO. POLAND URGENTLY NEEDS PHOSPHATES FOR PRODUCTION OF FERTILIZER AND THE IMPROVEMENT OF ITS AGRICULTURE. AT PRESENT, ACCORDING TO HAMMER, THE POLES ARE BUYING "FOR CASH" ABOUT THREE MILLION TONS OF PHOSPHATE ROCK A YEAR FROM THE UNITED STATES AND MOROCCO. IF HAMMER'S PROPOSALS ARE ACCEPTED, THE POLES WILL RECEIVE ALL THEIR PHOSPHATE REQUIREMENTS IN EXCHANGE FOR SULPHUR, WITH NO HARD CURRENCY PAYMENTS INVOLVED. OCCIDENTAL WILL ALSO BENEFIT BECAUSE IT IS NOT BUYING SULPHUR IN THE OPEN MARKET, SOME OF IT FROM FOREIGN SOURCES. OCCIDENTAL EXPECTS TO HANDLE MOST OF THE PROPOSED BUSINESS WITH POLAND THROUGH ONE OF ITS SUBSIDIARIES, THE HOOKER CHEMICAL COMPANY.

4. COMMENT: AT FIRST ESTIMATE, THIS APPEARS TO BE A VERY APPROPRIATE AND SATISFACTORY ARRANGEMENT FOR POLAND, AND THE TOP-LEVEL RECEPTION HAMMER IS GETTING IN WARSAW APPEARS TO INDICATE STRONG GOP INTEREST. FURTHERMORE, HAMMER, WHO KNEW LENIN IN THE EARLY 1920'S LIMITED OFFICIAL USE

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AND TOLD US HE WILL BE RECEIVING A SPECIAL AWARD FROM THE SOVIET GOVERNMENT IN THE NEXT FEW DAYS, HAS THE SOVIET SEAL OF APPROVAL. THE MORE RECENT STATISTICS AVAILABLE INDICATE THAT POLAND WAS THE LARGEST PRODUCER OF SULPHUR IN EUROPE IN 1976, EXPORTING 3.5 MILLION TONS. POLISH PHOSPHATE IMPORTS WERE APPROXIMATELY 3.2 MILLION TONS IN THE SAME YEAR. END COMMENT.
SCHAUFLE

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